GOAL Energy Inc.

1994 ANNUAL REPORT

CORPORATE PROFILE

GOAL Energy Inc. is a junior Alberta based resource company engaged in the exploration for and production of crude oil and natural gas reserves. GOAL Energy Inc. began operations in May 1993 as a private exploration and production company and started trading on the ASE on November 26, 1993. The company has developed over 80 percent of its reserves through internally generated drilling plays. GOAL's mandate continues to be growth through grass roots exploration, with a balance of both oil and gas prospects.

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MEANING OF ABBREVIATIONS

W.I.	=	Working Interest	APO	=	After Payout
BOPD	=	Barrels of Oil per Day	BPO	=	Before Payout
Bbl	=	Barrel	BOE	=	Barrels of Oil Equivalent (converting gas to oil at 10,000 cu. ft./Bbl)
mcf/d	=	Thousand cubic feet per day			
Bcf	=	Billion cubic feet			
mmcf/d	=	Million cubic feet per day			

The Annual Meeting of the shareholders will be held on Thursday, June 1, 1995, at 2:00 p.m. in the Boardroom of GOAL's offices at #370, 1201 - 5th St. S.W., Calgary, Alberta. All shareholders are encouraged to attend.

PRESIDENT'S MESSAGE

GOAL began operations in 1993, a year that saw tremendous investor enthusiasm in junior oil and gas companies. The industry enjoyed a record year of activity and profitability in 1994; however, capital markets turned away from junior oils, creating a challenge for fledgling companies such as GOAL to raise equity. To achieve growth, GOAL obtained a $600,000 operating Line-of-Credit against properties successfully exploited in 1993. Utilizing remaining cash, the credit facility, cash-flow and a small private placement, GOAL spent over $1,100,000 on exploration and development projects in 1994. GOAL participated in drilling 11 wells, resulting in 4 oil wells, 3 gas wells and 4 dry holes. GOAL also participated in shooting 32 kilometers of seismic, the construction of two gas compressor stations and three oil batteries. This activity fell short of the $3,000,000 budget planned for 1995 due entirely to a lack of equity funding. Rather than issue large quantities of shares at low prices, GOAL's Board of Directors elected to develop and inventory projects to be drilled as cash flow permitted, or to farmout where appropriate.

GOAL's mandate is to grow primarily through exploration. Intense competition for leases and dramatic increases in drilling and production equipment costs made 1994 a difficult year to operate for Junior exploration firms. In spite of these obstacles, GOAL has achieved a very reasonable cost of finding of $ 5.75/BOE on developed prospects and has exited the year with the development of a number of new plays. Recent significant reductions in competition and land costs at the Alberta and Saskatchewan Crown land sales, coupled with an industry slow down in drilling will provide GOAL with the opportunity to generate plays at a lower cost in 1995.

GOAL participated in generating in-house prospects on Crown lands in Alberta and Saskatchewan. Our exploration program, targeting a number of areas, enabled GOAL to establish six core areas of production and two primary prospect areas for future exploration. GOAL divested its interests in Moose Mountain, Sibbald and Craigend, realizing a modest profit and enabling the company to redirect funds to the core areas of our program.

Future development and exploration will continue to be balanced between gas and oil as a means of protecting the company from fluctuating product prices. The diversity of Alberta gas prospects between shallow, high-deliverability wells and deeper, larger reserve potential plays has further reduced risk. Southeast Saskatchewan is the focus of GOAL's oil program, having demonstrated good reserve and productivity potential using horizontal drilling techniques and operating cost control measures to maintain profitability in a mature basin.

Using primarily grass roots exploration, GOAL has shown continued growth since inception in mid 1993. Management's commitment to balance oil and gas exploration has proven to guarantee steady income as evidenced by strong gas prices supporting weak oil prices in the spring of 1994, with the reverse situation presently facing the industry. GOAL's management intends to continue to grow using cash flow in 1995 to exploit the plays that were developed in 1994. With the majority of the front-end costs of play development already invested, 1995 is expected to be a year of reward.

On behalf of the Board of Directors

R. Stephen Kiser, P. Eng.
President

PROPERTY REVIEW

Saskatchewan

QUEENSDALE

GOAL has interests varying from 10 - 20% in 4 vertical and 2 horizontal Frobisher oil wells, two batteries and 1120 gross acres in this area of Southeast Saskatchewan. The properties produce 180 BOPD of light gravity crude. Lifting costs in 1994 averaged a respectable $5.68/Bbl despite high water cuts, yielding net backs of $10.25/Bbl. Upgraded disposal facilities and artificial lift have recently been installed to further lower production costs for this field and enhance net backs. An additional horizontal location and two well reactivations are planned for 1995.

WEYBURN

GOAL has a 20% W.I. in two horizontal oil wells and a battery offsetting the massive Weyburn Midale Oil Unit. The property produces 230 BOPD of medium gravity crude. The very large reserve volumes produced from the offsetting unit indicate the potential for very long life reserves. Ownership in the battery facilities and Saskatchewan royalty incentives contributed to GOAL's excellent net back price of $14.30/Bbl on Weyburn production in 1994. Water injection installed early in 1995 will reduce operating costs and is expected to positively influence reserve recovery.

BROMHEAD

GOAL has a 30% W.I. in a 17 BOPD Frobisher oil well located 20 miles south of Weyburn. Following installation of water injection at Weyburn, production costs may be reduced at Bromhead by moving fluid to our company-owned facilities at the Weyburn battery.

Alberta

MANNVILLE

GOAL has a 25% W.I. in the 9-16-52-7 w4m Colony gas well and compressor station. The property produces 1.0 mmcf/d to a Progas contract at prices in the $1.50/mcf range. Mannville was placed on stream in November of 1994. Very low operating costs and full ARTC provide excellent net backs on this property.

LEDUC

GOAL has a 20% BPO/10% APO interest in the 12-33-49-26 w4m Belly River gas well and compressor station. The well currently produces 1.0 mmcf/d and has demonstrated a minimal decline over the past six months. The gas has been sold to local industrial purchasers; however, it is expected to be marketed in 1995 to Centra Gas for local domestic use in the towns of Calmar and Leduc. As with Mannville, facility ownership provides low operating costs.

BARRHEAD

GOAL has a 25% W.I. in a Nordegg gas well: deliverability tested at 1.3 mmcf/d and interests varying from 12.5% - 25% in 3840 gross acres of lands in this area of West Central Alberta. Seismic has been purchased and shot by GOAL over the lands, high grading a number of drilling locations. The 14 - 19 well will be tied in this spring and following satisfactory production results, a second location may be drilled. Barrhead is an excellent long-term prospect, with typical well potentials of 3 to 5 mmcf/d deliverability and 2 to 5 Bcf of reserves per well.

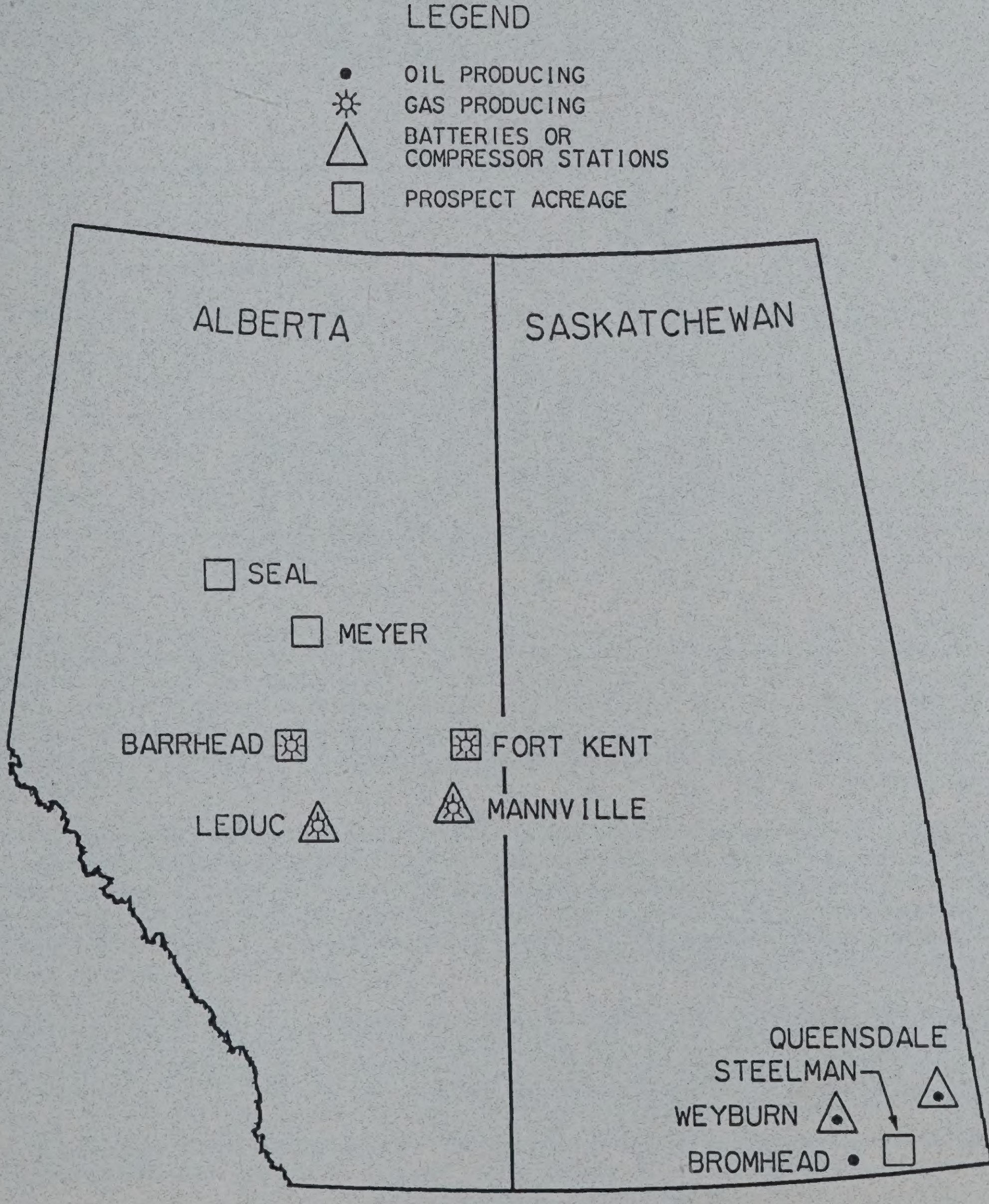
FORT KENT

GOAL has a 20% W.I. in one producing Colony gas well capable of 500 mcf/d. GOAL has also participated in a 29 km seismic program shot in the summer of 1994. 3073 gross acres of Crown lands were purchased based on seismic bright spots and will be drilled in the spring of 1995. GOAL's 30% W.I. in this property provides a significant potential for deliverability additions. At the time of this report, two wells had been cased and testing operations underway.

Undeveloped Lands

GOAL has a 25% W.I. in a number of undeveloped parcels in Alberta and Saskatchewan on which the company is presently working up plays. Although GOAL will concentrate on developing and expanding core properties, management believes it is important to continue to seek new long-term projects.

PRODUCING PROPERTIES AND PROSPECT LANDS



RESERVES AND LAND

GOAL's mandate is to grow primarily through exploration. Over 80% of GOAL's reserves have been developed through drilling. GOAL's oil and gas reserves, evaluated by a third party engineering firm and Management estimates, are as follows:

			Discounted Cash Flow ($1,000)			
Reserve	W.I. Oil	W.I. Gas	Before Income Tax			
Category	Bbls	mmcf	0%	10%	15%	20%
Proved	79,084	1,124	1,924	1,491	1,340	1,225
Probable	74,656	354	1,510	995	781	666
TOTAL	153,740	1,478	3,434	2,486	2,121	1,891

The Queensdale and Weyburn properties are high water cut, light and medium gravity oil reserves from pools with long production histories. Offset producers illustrate cumulative recoveries commonly over 300,000 barrels per well; however, it is difficult to assign proved reserves to GOAL's horizontal wells which reflect this potential, using conventional engineering estimates. The majority of the probable oil reserves shown above represent this potential in the existing producing wells.

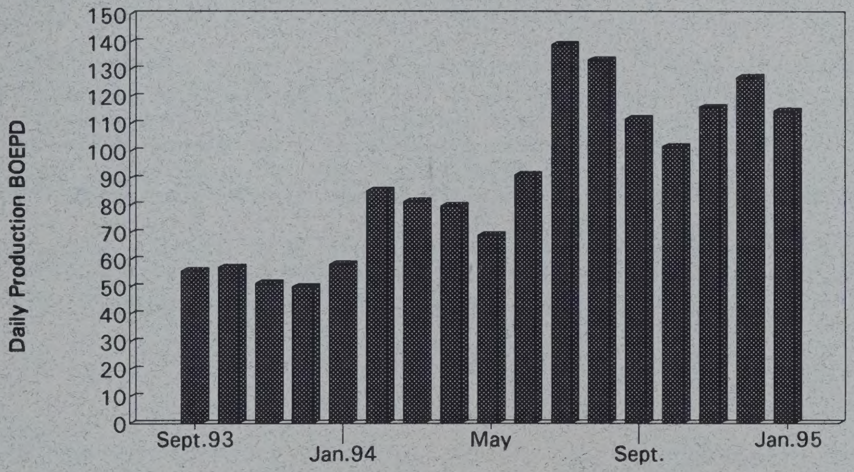
GOAL's proved oil reserves dropped marginally from 80,200 Bbls in 1993 to 79,084 Bbls in 1994, primarily due to the sale of Moose Mountain. The addition of Weyburn offset production and added dramatically to probable oil reserves, as previously discussed. Proved gas reserves increased 58% over 1993 despite reserves attrition at Forestburg and the original Fort Kent well. Probable gas reserves reflect greater potential in the existing wells. On an oil equivalent basis, total reserves increased 65 % to 301,540 BOE.

Discounted cash flows were developed using an average 1995 gas price of $1.70/mcf, increasing to $2.00/mcf in 1997, then escalating at $0.10/mcf annually. Oil prices used an average 1995 Edmonton par price of $22.00/Bbl escalating at 3% annually. All prices were adjusted to represent field quality and actual contracts.

Net land increased 68% to 2,833 acres at year end. The Company had an undeveloped land inventory of $103,820 at cost as of year end. Subsequent to year end, GOAL added an additional 790 net acres at Fort Kent and Steelman.

PRODUCTION

GOAL's production has grown steadily since drilling first began in the summer of 1993. Average oil production increased from 16 BOPD in 1993 to 75 BOPD in 1994. Natural gas averaged 224 mcf/d 1994, up from 48 mcf/d in 1993. In December 1994, GOAL averaged 75 BOPD and 483 mcf/d. The large increase in gas production in December was a result of placing the Mannville well on stream in mid November. The following graph illustrates the historic growth in GOAL's daily production:



This trend is expected to continue in 1995 as GOAL's new gas wells at Fort Kent and Barrhead are placed on stream.

DISCUSSION OF FINANCIAL RESULTS

Oil and gas revenue increased 281% over 1993 to $687,699. Oil sales represented 76% of 1994 revenue at an average price of $19.00/Bbl. Gas sales increased as a percentage of revenue to 35% at year end as new wells were brought on stream. Average gas prices for 1994 were $2.02/mcf. Total royalties of $96,627, representing only 14% of revenue, reflect the effect of Saskatchewan Crown royalty incentives on GOAL's horizontal wells and Alberta Royalty Tax Credit on GOAL's gas production.

Field operating expenses increased to $178,743, or 26%, of field revenue. GOAL's ownership in production facilities at most of our wells has been instrumental in maintaining reasonable lifting costs of $5.01/BOE. With the gas wells now contributing a larger portion of production, field unit operating costs will drop significantly in 1995. Field net backs before overhead were $11.18/BOE in 1994. GOAL has continued to maintain a low overhead, with 1994 general and administrative expenses of $130,601.

1994 cash-flow increased 528 % over 1993 to $285,922 or $ .016/share. Net earnings for 1994 were reduced from third quarter interim reports to $5,922 due to higher than estimated depletion expenses and the addition of accrued abandonment costs and deferred income taxes.

AUDITOR'S REPORT

To the Shareholders of
GOAL Energy Inc.

I have audited the balance sheet of GOAL Energy Inc. as at December 31, 1994 and the statement of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountant

Calgary, Alberta
April 12, 1995

MANAGEMENT'S REPORT

The management of GOAL Energy Inc. is responsible for the integrity of its reported financial data. Fulfilling this responsibility requires the preparation and presentation of financial statement in accordance with Canadian generally accepted accounting principles. Management uses internal accounting controls, offers guidance through corporate-wide policies and procedures, and exercises its best judgement in order that such statements reflect fairly the financial position, results of operations and cash flows of GOAL Energy Inc.

In order to gather and control financial data, GOAL Energy Inc. has established accounting and reporting systems supported by internal controls. Management believes that the existing internal controls provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the records are reliable for preparing financial statements and other data, and maintaining accountability for assets.

R. Stephen Kiser, P. Eng.
President and Chief Executive Officer

Brett Ironside
Vice President and Director

GOAL Energy Inc.
BALANCE SHEET
December 31, 1994

	1994	1993
Assets		
Current		
Cash	$ -	$ 259,092
Accounts receivable	118,218	224,649
Prepaid expenses	3,256	-
	$ 121,474	483,741
Capital assets (Note 2)	1,573,290	858,740
	$ 1,694,764	$ 1,342,481
Liabilities		
Current		
Bank indebtedness (Note 3)	$ 514,699	$ -
Accounts payable	12,417	23,755
	527,116	23,755
Accrued Abandonment Costs	36,000	-
Deferred Income Taxes	4,500	-
Shareholders' Equity		
Share Capital (Note 4)	1,120,979	1,318,479
Retained Earnings	6 ,169	247
	1,127,148	1,318,726
	$ 1,694,764	$ 1,342,481

On behalf of the Board

Director

Director

GOAL Energy Inc.
STATEMENT OF INCOME and RETAINED EARNINGS
For the year ended December 31, 1994
(with comparative figures for the eleven months ended December 31, 1993)

	1994	1993
Revenue		
Oil and gas revenue	$ 687,699	$ 180,266
Interest revenue	4,194	6,098
	691,893	186,364
Royalties	96,627	32,655
	595,266	153,709
Direct Costs		
Operating	178,743	45,985
Depletion and depreciation	275,500	45,309
	454,243	91,294
Revenue from Operation	141,023	62,415
Other Expenses		
Bank charges and interest	18,796	152
Consulting fees	55,135	49,738
Office	25,204	3,378
Professional fees	18,714	5,000
Rent	12,752	3,900
	130,601	62,168
Income Before Income Taxes	10,422	247
Deferred Income Taxes	4,500	-
Net Income for the Year	5,922	247
Retained Earnings, Beginning of Year	247	-
Retained Earnings, End of Year	$ 6,169	$ 247
Basic Earnings per Share	$ 0.00033	$ 0.00001

GOAL Energy Inc.
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 1994
(with comparative figures for the eleven months ended December 31, 1993)

	1994	1993
Operating Activities		
Net income for the year	$ 5,922	$ 247
Item not requiring cash		
Amortization and depletion	239,500	45,309
Accrued abandonment costs	36,000	-
Deferred income taxes	4,500	-
	285,922	45,556
Changes in non-cash working capital balances related to operations	91,837	(200,894)
	377,759	(155,338)
Financing Activities		
Issuance of share capital	42,500	1,318,479
Tax benefits renounced	(240,000)	-
	(197,500)	1,318,479
Investing Activities		
Geological costs capitalized	(80,773)	(30,508)
Exploration and lease acquisition	(1,407,555)	(873,541)
Proceeds of sale of petroleum and natural gas properties	300,000	-
Tax benefits renounced	240,000	-
Acquisition of office assets	(5,722)	-
	(954,050)	(904,049)
Increase (decrease) in cash during the year	(773,791)	$ 259,092
Cash, beginning of year	259,092	-
Cash (bank indebtedness), end of year	$ (514,699)	$ 259,092

GOAL Energy Inc.
NOTES TO FINANCIAL STATEMENTS

December 31, 1993

1. Summary of Significant Accounting Policies

GOAL Energy Inc. is a publicly traded Company engaged in the oil and gas business and is incorporated under the Alberta Business Corporations Act. These financial statements are prepared in accordance with generally accepted accounting principles, the more significant of which are:

a) *Capitalized Costs*
The Company follows the full cost method of accounting in accordance with the guideline issued by The Canadian Institute of Chartered Accountants whereby all costs associated with the exploration for, and development of, oil and gas reserves, whether productive or nonproductive, are capitalized in cost centres. Such costs include land acquisition, drilling, geological and geophysical expenses related to exploration and development activities.

Gains or losses are not recognized upon the disposition of oil and gas properties unless such a disposition would change the depletion rate by 10% or more. Gains and losses are recognized upon the disposition of other assets.

Government incentives and the estimated tax value of renounced expenditures are credited to the cost of oil and gas properties.

b) *Depreciation and Depletion*
Depletion of petroleum and natural gas properties and depreciation of production equipment is provided using the unit-of-production method based on estimated proved petroleum and natural gas reserves as determined by independent engineers and management estimates.

The depletion and depreciation base includes total capitalization costs, less costs of unproved properties, net of impairment and future salvage values, plus provision for future development costs of undeveloped reserves, as determined by independent engineers and management estimates. Costs not subject to depletion totalled $137,000 in 1994.

The relative volumes of oil and natural gas reserves and production are converted to equivalent barrels of oil based upon the relative energy content of each product.

Furniture and fixtures are carried at cost and are depreciated over the estimated useful lives of the assets at rates of 20% calculated on declining basis.

c) *Accrued Abandonment Costs*
The Company annually estimates the future costs associated with the site restoration and abandonment of well sites and facilities by specific areas. An accrual for abandonment is made using the unit-of-production method. Actual abandonment expenditures are charged as incurred to the accumulated abandonment provision. The provision of $36,000 (1993 - Nil) is included in depletion and depreciation expense.

d) *Ceiling Limitations*
The Company applies an annual ceiling test to capitalized costs, net of deferred income taxes to ensure that the net carrying value does not exceed the estimated value of future net revenues from production of proven reserves less future production-related general and administrative expenses, financing costs, estimated future abandonment costs and income taxes. Any reduction in value as a result of the ceiling test, is charged to operations.

1. Summary of Significant Accounting Policies - Continued

The calculation of future net revenues is based upon sales prices, costs and regulations in effect at year end.

e) *Income Taxes*
The Company accounts for income taxes by the tax allocation method, whereby income tax expense is determined as the amount that would be payable if statutory tax deductions for drilling, exploration and property acquisition costs and for capital cost allowances were claimed for tax purposes at the same rate as the related depletion and depreciation provisions charged against income.

f) *Flow-through Shares*
The Company has financed certain of its exploration and development activities through the issue of flow-through shares. Under the terms of the flow-through share issue, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the properties acquired and the shares issued are recorded net of the tax benefits renounced to subscribers.

g) *Joint Ventures*
Certain of the Company's exploration and development activities are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

2. Capital Assets

	1994			1993
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Petroleum and natural gas properties	$ 1,847,071	$ 282,600	$ 1,564,471	$ 854,143
Furniture and equipment	11,028	2,209	8,819	4,597
	$ 1,858,099	$ 284,809	$ 1,573,290	$ 858,740

The Company has unused cumulative Canadian oil and gas property expense of $252,984, cumulative Canadian development expense of $382,644, cumulative Canadian exploration expense of $187,417 and cumulative capital cost allowance of $391,000 available to reduce future taxable income.

3. Bank Indebtedness

Bank indebtedness is comprised of an operating demand loan with interest payable at bank prime plus one percent. Collateral for the loan includes a general assignment of book debts and a fixed and floating charge debenture over oil and gas properties and all other assets.

4. Share Capital

Authorized:
Unlimited number of common voting shares
Unlimited number of preferred shares

4. Share Capital - (Continued)

Issued:

	1994		1993	
	Number	Consideration	Number	Consideration
Balance, beginning of year	17,655,000	$ 1,318,479	-	$ -
Shares issued	-	-	2,200.000	217,261
Flow-through issue	150,000	30,000	2,600,000	520,000
Share split on a 2 for 1 basis	-	-	4,800,000	-
Issued on acquisition of subsidiary	-	-	7,500,000	525,718
Stock options	125,000	12,500	555,000	55,500
Tax benefits renounced	-	(240,000)	-	-
	17,930,000	$ 1,120,979	17,655,000	$ 1,318,479

During the year ended December 31, 1994, a director exercised stock options of 125,000 common shares for a total consideration of $12,500. In addition, the Company issued stock options of 725,000 and 150,000 common shares to directors and a consultant of the Company, respectively. The options expire May 19, 1997 and are exercisable at $0.25 per share. On October 27, 1994 stock options of 200,000 common shares expired.

At December 31, 1994, the Company had stock options outstanding to certain directors as follows:

780,000 common shares at $0.10, expiring December 31, 1998
875,000 common shares at $0.25, expiring May 19, 1997

At December 31, 1994, 4,900,000 common shares were held in escrow.

5. Related Party Transactions

During the year the Company paid remuneration to officers and/or directors or their nominees in the amount of $94,135 (1993 - $59,753).

6. Commitment

The Company has entered into a realty lease commencing April 1, 1994 at a minimum annual rental of $4,977 plus operating costs, expiring January 31, 1996.

7. Income Taxes

The company has non capital losses of approximately $31,000 which can be used to reduce taxable income of future years. These losses expire in 1999. The potential benefits of these losses have not been recognized in the financial statements.

8. Comparative Figures

The 1993 financial statements were prepared by another accountant. Certain of the comparative figures presented in the accompanying financial statements have been reclassified to conform with the current year's presentation.

CORPORATE INFORMATION

Officers

R. Stephen Kiser, President & C.E.O.
Brett Ironside, Vice President &
Secretary Treasurer

Directors

R. Stephen Kiser, Chairman
Brett Ironside
Bruce Webster
Fred Peacock

Head Office

#370, 1201 - 5th St. S.W.
Calgary, Alberta
T2R 0Y6

Auditor

John Geib
331S - 8500 Macleod Trail S.
Calgary, Alberta
T2H 2N1

Solicitors

Bennett Jones Verchere - Barristers & Solicitors
4500 Bankers Hall
855 - 2nd Street S.W.
Calgary, Alberta
T2P 4K7

Transfer Agent & Registrar

Montreal Trust
411 - 8th Avenue S.W.
Calgary, Alberta
T2P 1E7

Bank

Bank of Nova Scotia
240 - 8th Avenue S.W.
Calgary, Alberta
T2P 2N7

Stock Exchange

Alberta Stock Exchange
300 - 5th Avenue S.W.
Calgary, Alberta
T2P 0L3

Trading Symbol

GGY

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